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SENSITIVE

USDOC FOR 4520/ITA/MAC/ONE/THANOS
TREASURY FOR PIPATANAGUL

E.O. 12958: N/A
TAGS: EINV EIND EMIN JO
SUBJECT: PROGRESS ON JORDAN PHOSPHATE MINES PRIVATIZATION

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SUMMARY

¶1. (SBU) The GOJ is moving forward with the privatization of the Jordan Phosphate Mines Company (JPMC), Jordan's largest company and the largest, single exporter, with plans to sell a substantial chunk of the firm to a Canadian company. If successful, the transaction could bring in up to USD70 million for Jordan's new investment plan. The sale of the ailing monopolist will mark a major milestone in Jordan's ongoing, yet fitful, privatization process, but will face domestic political hurdles. End Summary

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MORE THAN JUST A MINERAL

¶2. (SBU) Jordan is the world's third largest exporter of phosphate, a mineral used in the production of fertilizer. In 2001, phosphate and potash (another raw material used in fertilizer) exports comprised 17 percent of Jordan's domestic exports. The mining sector has historically represented an important earner of foreign exchange over the years, as well as an important source of revenue in the form of mining fees, taxes and dividends, and the GOJ has been loathe to part with key contributors such as JPMC as it strives to privatize.

¶3. (SBU) JPMC is one of the biggest employers in Jordan, but losses of USD179 million in 2000 forced JPMC to restructure, and 1300 employees (out of 6500) were offered, and accepted, early retirement. Due to a worldwide surplus of phosphate, the price of the mineral has dropped over the last three years, causing an attendant drop in sales for JPMC. But overstaffing, inefficient production methods and facilities, and chronic mismanagement continue to plague JPMC, and the company reported net losses of USD 12 million in 2001. Jobs at JPMC have traditionally been a key source of political patronage in the southern part of the country, a region whose stability is often seen as crucial to the stability of the country as a whole. (For example, when the Aqaba Railway Company (ARC) was privatized, 500 unskilled ARC workers were hired by JPMC under government directive.) Under the recommendation of the IMF, the company was slated for privatization late last year.

ENTER THE CANADIANS

¶4. (SBU) According to recent press reports, the Canadian mining concern Potash Corporation of Saskatchewan (PCS) is negotiating with the GOJ to buy a stake in the company. Reem Badran, Director of the Jordan Investment Board, confirmed that talks were underway. She told us that, while other companies had expressed interest in JPMC, the PCS bid seemed to be the most serious. While PCS has offered to buy the GOJ's entire 65 percent share of the company, Badran said that the GOJ only would sell 40 percent at this time (valued at approximately USD70 million at today's share price), with the Jordan Investment Board retaining approximately 25 percent of the company. The remainder is owned by the Jordanian Social Security Corporation, the Kuwait Investment Corporation, and other private investors. Badran added that there was as yet no timetable for the deal to be completed. (Note: PCS is the largest producer of phosphate in the world.)

COMMENT

¶5. (SBU) Even a partial sale of JPMC would give Jordan's privatization program a much-needed shot in the arm. A deal could not come at a better time, as the GOJ needs money to fund the its socio-economic plan, which calls for GOJ investment in projects that encourage economic growth. A sale could also demonstrate to the IMF and foreign investors

alike that the country is ready to break the privatization logjam. But a challenge for a successful new management team will be finding a politically acceptable formula for trimming down to an efficient, productive work force.
Gnehm